

Frank N. Goldberg, Treasurer, Rotary International
Report to the RI Convention, Salt Lake City, Utah, USA
June 2007

I am honored to serve as your treasurer this Rotary year. It is my duty, under the RI Bylaws, to report to you on the current state of Rotary International finances.

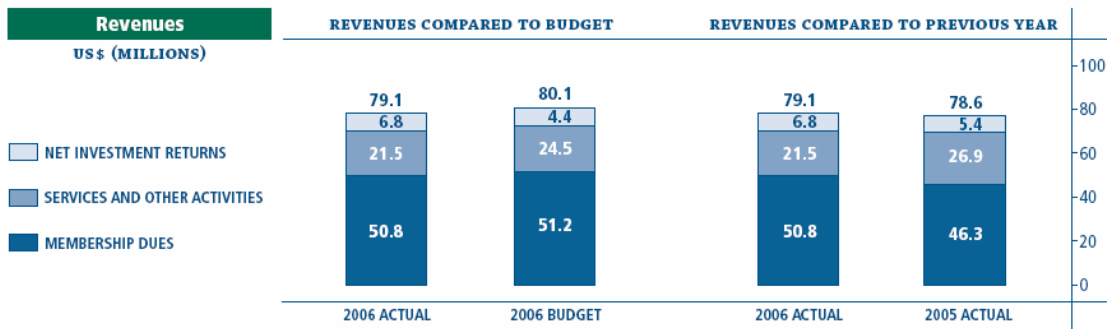
My report will be in three parts: the results of the fiscal year ended 30 June 2006, the current status of this year's financial performance, and the financial outlook for the coming years.

All dollar references are in U.S. dollars.

Rotary International's 2005-06 Financial Results

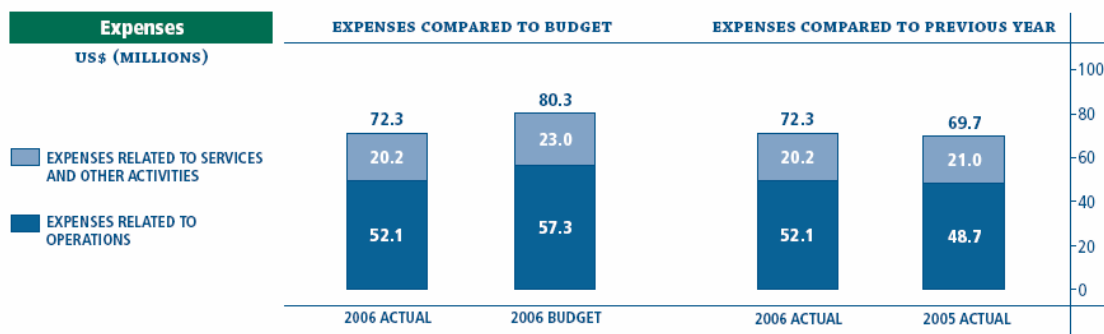
Revenues totaled \$79.1 million, which were \$1.0 million less than budgeted and \$0.5 million greater than the previous year. Revenue from dues increased \$4.5 million, as a result of the \$4 per Rotarian increase in annual dues that was approved at the 2004 Council on Legislation. Revenue from services and other activities was \$3.0 million less than budgeted, and \$5.4 million less than the previous year, primarily due to lower-than-anticipated attendance at the 2006 RI Convention. The net investment returns of 8.9 percent exceeded the Board-mandated 5 percent budgeted rate, resulting in returns that exceeded the budget by \$2.4 million and generated \$1.4 million more investment revenue than the previous year.

In 2005-06, approximately 64 percent of our revenues, or \$50.8 million, came from membership dues. Services and other activities generated 27 percent of revenues, or \$21.5 million, as follows: publications (\$7.2 million); One Rotary Center (\$4.9 million); the international convention and meetings (\$5.6 million); and licensing and other sources (\$3.8 million). Net investment returns of \$6.8 million represented 9 percent of total revenues.



Total expenses related to operations were \$52.1 million. These operating expenses are \$5.2 million, or 9 percent below budget, and \$3.4 million, or 7 percent greater than the previous year. Information Services expenses were \$2.1 million, or 46 percent higher than the previous year, due to increased spending to upgrade RI's operating systems and the in-house Web hosting of Rotary.org. This IS increase was in line with RI's five-year forecast to upgrade systems support. All expense categories, including IS, were below budget, or within a 10 percent tolerance, which reflects the Board's policy of financial discipline as carried out and managed by the general secretary.

Expenses related to services and other activities were \$2.8 million lower than budgeted, due primarily to the reduced spending on the 2006 RI Convention's lower-than-planned attendance.



Net assets increased by \$8.8 million over the previous year as a result of revenues exceeding expenses by \$6.8 million and a \$2.0 million reduction in the minimum pension obligation.

Rotary's continued ability to monitor spending levels closely and add to the net assets of the organization helped Rotarians around the world usher in Rotary's second century in 2005-06 with service projects that addressed some of humanity's most pressing needs. Club and district efforts during 2005-06 focused largely on water resources, health and hunger, and literacy, which RI President Carl-Wilhelm Stenhammar cited as vital concerns. Rotary's central motto also served as the theme for 2005-06, *Service Above Self*, and a manifest reminder of the organization's fundamental purpose.

Status of Current Year's Financial Performance

Revenues for the 10 months ended 30 April 2007 are \$6.1 million higher than budgeted, primarily as a result of favorable investment returns. Dues revenue totaled \$55.1 million, which is in line with the budget. Furthermore, all expense areas are continually monitored for efficiency and cost effectiveness. The Secretariat continues to maintain high levels of support and services to Rotarians around the world while also realizing positive budget variances.

Assuming stability in the financial markets for the balance of this fiscal year, revenues should exceed expenditures, making it unnecessary to access RI's reserves.

Rotary International's Financial Outlook

The 2007 Council on Legislation positively addressed many activities that affect our organization's finances. Briefly, a nominal dues increase of \$1 per year starting in 2008-09 was adopted, as was a requirement that clubs pay one-twelfth of prorated RI per capita dues for each new member per full month of membership before the next semiannual period for which dues are payable. The Council also changed the required level of the general surplus fund from 100 percent to 85 percent of the highest level of annual expenses during the most recent three-year period, which will expand access to the fund for operating budget purposes if needed. These measures provide the association with greater financial health and stability, which are reflected when developing RI's five-year financial forecast.

I am pleased to report that Rotary International's financial position remains strong. Through the combined efforts of the Board of Directors, the general secretary, and our volunteer committees, most notably the RI Finance Committee, RI's operations and related spending levels are consistently and conscientiously monitored throughout the year. In this stewardship role, your volunteer leadership works diligently to maintain the most efficient and effective governance and service levels.

I am confident that Rotary International can and will be able to support and strengthen Rotarians' service efforts throughout the world for many years to come.

I wish to thank my fellow RI Board members for their full support, and the general secretary, the general manager-chief financial officer, and all staff involved in RI financial matters for their dedication and cooperation. I also thank the members of the RI Finance Committee for their very valuable advice and support.

The 2005-06 Rotary International Annual Report; audited financial statements for fiscal year 2005-06, including the auditor's report; and other financial information are available at www.rotary.org or by request from the Secretariat.